

SUMMARY ANALYSIS OF AMENDED BILL

Author: McPherson Analyst: Roger Lackey Bill Number: SB 83

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 04-07-97

Attorney: Doug Bramhall

Sponsor:

SUBJECT: PIT Rates/Deletes Lowest Bracket And Revises Remaining

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED February 25, 1997 STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

This bill would eliminate the 1% tax rate bracket for personal income taxpayers and revise the income threshold amounts for the remaining tax brackets to reflect the inflation adjustment through the 1996 tax year.

SUMMARY OF AMENDMENT

The April 4, 1997, amendments revised the tax rate table to eliminate the 1% tax rate and revised the threshold amounts for the remaining tax brackets.

In addition, the April 4, 1997, amendments provided that the revised tax rate table incorporates the inflation adjustments through the 1996 tax year. However, the threshold amount for the 4% bracket was lowered, thus reducing the impact of the reduction on the higher tax brackets and restricting the vast majority of benefit to low income taxpayers.

DEPARTMENTS THAT MAY BE AFFECTED:

____ STATE MANDATE

____ GOVERNOR'S APPOINTMENT

Department Director Position:

☐ S ☐ O
☐ SA ☐ OUA
☒ N ☐ NP
☐ NA ☐ NAR
☐ PENDING

Agency Secretary Position:

☐ S ☐ O
☐ SA ☐ OUA
☐ N ☐ NP
☐ NA ☐ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved _____
Position Disapproved _____
Position Noted _____

Department/Legislative Director Date
Johnnie Lou Rosas **4/30/97**

Agency Secretary Date

By: Date:

The revised tax table representing the inflation indexed amounts through the 1996 tax year for every resident of this state, except head of household is as follows:

If the taxable income is:	The Tax is:
Not over \$4,908	No tax is imposed
Over \$4,908 but not over \$9,178	2% of the excess over \$4,908
Over \$9,178 but not over \$18,357	\$85.40 plus 4% of the excess over \$9,178
Over \$18,357 but not over \$25,484	\$452.56 plus 6% of the excess over \$18,357
Over \$25,484 but not over \$32,207	\$880.18 plus 8% of the excess over \$25,484
Over \$32,207	\$1,418.02 plus 9.3% of the excess over \$32,207

As a result of the April 4, 1997, amendments, the first policy consideration regarding the date for indexing, discussed in the department's analysis of SB 83 as amended February 25, 1997, is resolved.

In addition, the April 4, 1997, amendment is representative of the author's intent by providing a tax benefit to only low income taxpayers. Therefore, the department's second policy consideration regarding the author's intent as discussed in the analysis of SB 83 as amended February 25, 1997, is resolved.

Except for the sections discussed in this analysis, the analysis of SB 83 as amended February 25, 1997, still applies.

Tax Revenue Estimate

Revenue losses are estimated to be:

Estimated Revenue Impact for SB 83 As Amended April 7, 1997 Effective after December 31, 1996 Assumed Enactment After June 30, 1997 Revenue Impact by Taxable Years (\$in millions)		
1997	1998	1999
(\$74)	(\$78)	(\$84)

Revenue Impact by Fiscal Years (\$in millions)		
1997-8	1998-9	1999-0
(\$105)	(\$80)	(\$84)

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Tax Revenue Discussion

Revenue losses under the Personal Income Tax Law would depend on the number of taxpayers who would have their tax reduced or eliminated by the removal of the one percent tax rate bracket and the revenue from the reduced 4% bracket.

The above estimates are based on the department's personal income tax model. These estimates do not reflect any behavioral impact that might occur as a result of these tax rate changes.

The following table reflects the tax changes by adjusted gross income classes:

Estimated Revenue Impact for SB 83 As Amended February 24, 1997					
Repeal 1% Tax Rate & Lower 4% Tax Bracket 1/					
1997 Taxable Year					
Returns & Tax Liability Changes					
By Adjusted Gross Income Classes					
Adjusted Gross Income Class	Total Number of Taxable Returns	Number of Returns With Changes	Total Tax Change	Average Tax Change	Tax Change As % of Total Tax Liability
	(thousands)		(millions)		
\$0 to \$20,000	1,781	1,182	(\$32)	(\$27)	-17.7%
\$20,000 to \$30,000	1,580	642	(\$34)	(\$53)	-4.0%
\$30,000 to \$40,000	1,357	146	(\$6)	(\$41)	-0.7%
\$40,000 to \$50,000	1,097	34	(\$1)	(\$29)	-0.1%
\$50,000 to 100,000	2,557	35	(\$1)	(\$20)	-0.0%
\$100,000 to \$150,000	290	1	*	(\$6)	-0.0%
\$150,000 and over	551	5	*	(\$2)	-0.0%
Totals	9,213	2,045	(\$74)	(\$36)	

* Less than \$15,000

1/ The above table reflects the tax changes by adjusted gross income as a result of repealing the 1% tax rate and reducing the starting point of the 4% rate bracket. The new 4% bracket for this bill, starting with the 1997 tax year, is projected to begin at \$9,485 for single and married filing separate filers and \$18,969 for married filing joint, surviving spouse, and head of household. Under current law the four percent bracket is projected to start at \$12,021/\$24,041, respectively.

2/ For 1997,	
Number of returns made non-taxable	1.1 million
Number of taxpayers made nontaxable,	
counting joint returns as two taxpayers	1.3 million